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Convenient service wherever you are

ANNUAL REPORT 1959

THE BELL TELEPHONE
COMPANY OF CANADA



The telephone installer or repairman has a two-fold task — to do his work quickly and well, and to present to our customers the many advantages of complete, modern service.

EIGHTIETH

ANNUAL REPORT

THE BELL TELEPHONE COMPANY OF CANADA

1050 BEAVER HALL HILL, MONTREAL

YEAR ENDED DECEMBER 31, **1959**



Our first exchange in the sub-Arctic was opened at Frobisher Bay. Even in late August, when the equipment was delivered, the men unloading it found good use for their parkas.

DIRECTORS

L.-J.-ADJUTOR AMYOT *Quebec*

R. DICKSON HARKNESS, D.S.O., M.C.* *Montreal*

HENRY BORDEN, C.M.G., Q.C. *Toronto*

FREDERICK JOHNSON* *Montreal*

C. GORDON COCKSHUTT, M.C. *Brantford*

ROBERT A. LAIDLAW *Toronto*

JAMES E. DINGMAN *New York*
appointed December 16, 1959

RAY E. POWELL* *Montreal*

THOMAS W. EADIE* *Montreal*

EDWARD A. ROLPH* *Montreal*

JAMES A. ECCLES* *Montreal*

H. I. ROMNES *New York*
resigned March 25, 1959

MARCEL FARIBAULT* *Montreal*
appointed December 16, 1959

CHARLES F. SISE* *Montreal*

JOHN A. FULLER* *Montreal*

GRAHAM F. TOWERS, C.M.G. *Ottawa*

C.-EDOUARD GRAVEL* *Montreal*
deceased October 3, 1959

*Member of the Executive Committee

OFFICERS

THOMAS W. EADIE

President and Chairman of the Board

EDWARD A. ROLPH

Executive Vice-President

GEORGE M. GRANT, C.B.E.

JACK R. LOGAN

Vice-President

Vice-President & Treasurer

JAMES A. HOBBS

WILLIAM McNEILL, O.B.E.

Vice-President

Comptroller

R. HOLLEY KEEFLER, C.B.E., D.S.O.

NORMAN A. MUNNOCH, Q.C.

Vice-President

Vice-President & General Counsel

ALEXANDER G. LESTER

HAROLD G. YOUNG

Vice-President

Vice-President

SIMCOE C. SCADDING

JOHN A. DOCHSTADER

Secretary

Assistant to the President

VICE-PRESIDENTS & GENERAL MANAGERS

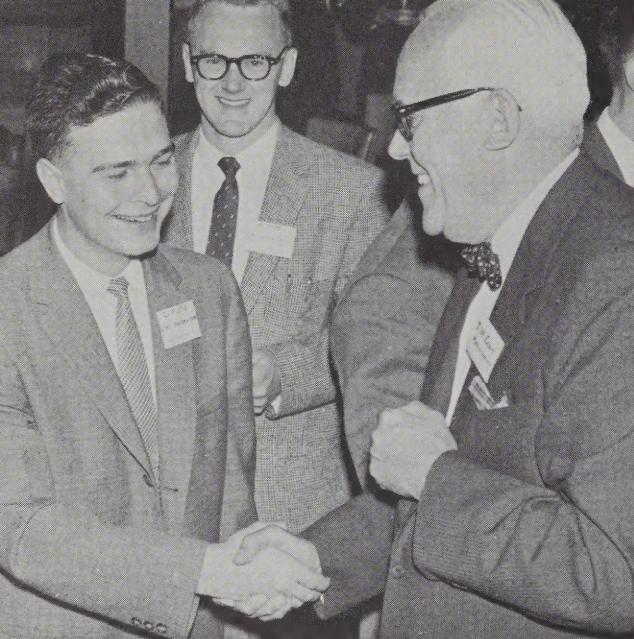
W. HARVEY CRUICKSHANK *Toronto Area*

JOHN S. FARQUHARSON *Montreal Area*

C. LEONARD DEWAR, O.B.E. *Toll Area*

MARCEL VINCENT *Eastern Area*

CONRAD E. WATSON *Western Area*



When Mr. Eadie officially opened the new training school for engineers at Belleville last September he met there a number of engineering graduates who had recently joined the Company.

A MESSAGE FROM THE PRESIDENT

It is good to be able to report to you that greater customer use of our services was accompanied in 1959 by an improvement in our earnings. We added over 190,000 telephones to those we serve, carried nine per cent more long distance calls, and attained earnings of \$2.48 per share, equivalent to a return of nearly six per cent on invested capital. Yet this is still a modest return in relation to the general level of earnings in industry during this period of prosperity.

Revenues increased by 14.5 per cent, due mainly to greater use of our services and, in a lesser degree, to the higher rates which were introduced in December 1958. With concerted efforts to improve productivity, we were able to limit the increase in operating costs to only seven per cent, a smaller rise than during any other year in the post-war period.

With the biggest construction program in our history, we had to raise a considerable amount of additional capital. External financing for the year totalled \$124,100,000, including \$85,600,000 through a stock issue. To meet our customers' requirements for service we will continue to need large sums of new capital in the years ahead, when Canadian investors will doubtless have before them many other attractive opportunities. The cost of the capital we obtain will be strongly influenced by investor confidence in our financial

record, and it is in our customers' interest as well as our shareholders' that we attain earnings which will preserve the appeal of our stock on the investment market. With these considerations in mind, the Board of Directors decided in November to increase the regular dividend for the fourth quarter of the year.

Good earnings will also bring other desirable benefits. They will make it possible for the Company to build for the long term; invest in the costly installations that are needed to provide reliable and sufficient service; and develop fully the new services and equipment which can contribute so much to our customers' personal convenience and business efficiency.

This report will present to you some of the modern services and attractive telephones we are introducing, and tell you something of how we go about marketing them. You will also find recorded here examples of the new and more efficient operating methods we are developing, the advanced and versatile communications equipment we are installing. In brief, this is the story of a telephone company advancing with the society and economy it serves.

Our report for 1959 also helps to identify the main requirements of the future. We must continue to devise the most economical ways of providing good service — as the customer views it. We have to ensure that the employees' ability and experience, both technical and administrative, are applied to the best advantage. We must see, too, that equipment of the right kind and quantity is brought into service when it is required, so that the most profitable use is made of the money invested in the Company.

We are providing increasingly varied services for a growing number of customers. To maintain the ability to serve efficiently we will have to mechanize more and more of our operations. Yet enduring success as both a public service and a business enterprise will still depend on human decision and effort — on how well our people engineer and construct, maintain and operate, administer and market; on how effectively they translate customers' needs and wishes into day-to-day telephone service. The men and women who work for our Company did an excellent job in 1959, and I feel confident they will fulfil the different and challenging requirements of the years ahead.

A handwritten signature in black ink, appearing to read "Gaston Badeau". The signature is fluid and cursive, with a large, stylized initial 'G' on the left.

Montreal, February 4, 1960.

REPORT IN BRIEF

EARNINGS

Earnings per share amounted to \$2.48

Return on invested capital was almost 6 per cent

Dividend was raised from 50 to 55 cents per share in fourth quarter

REVENUES AND EXPENSES

Operating revenues rose by 14.5 per cent

Increase in expenses was held to 7 per cent

GROWTH

\$196,000,000 was spent to improve and extend service

190,000 telephones were added to those we serve

Customers made 9 per cent more long distance calls

FINANCING

\$124,100,000 of new capital was raised

Stock issue proceeds exceeded \$85,000,000

Bond interest rate was highest in nearly 40 years

SERVICE IMPROVEMENT

Radio relay network was expanded

130,000 more telephones in colour were placed in service

56 per cent of urban residence customers had individual line service

RISE IN EFFICIENCY

Increased business was handled by fewer employees

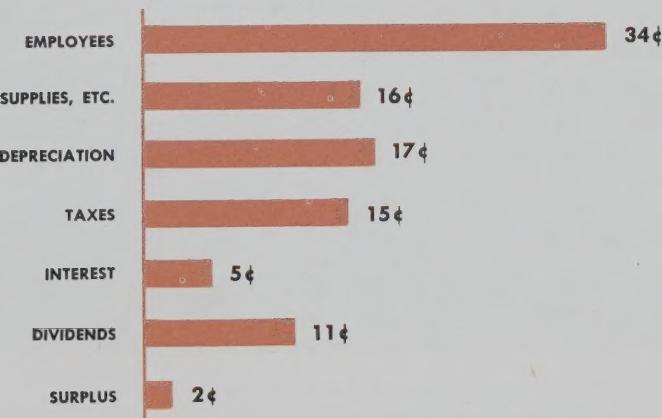
New equipment, streamlined methods aided cost control

Development of management people received close attention

FINANCIAL SUMMARY

Operating Revenues	\$376,604,645
Other Income	7,674,116
TOTAL	\$384,278,761
Operating Expenses	\$256,232,248
Taxes	59,082,000
Interest	18,680,935
TOTAL	333,995,183
NET INCOME AVAILABLE FOR DIVIDENDS	\$ 50,283,578
Dividends	41,574,575
RETAINED EARNINGS TRANSFERRED TO SURPLUS	\$ 8,709,003

DISPOSITION OF INCOME DOLLAR





The long distance calls our Montreal customers will soon be dialing to many parts of the continent will be routed by this crossbar equipment, installed in our new building on Oxenden Avenue.

THE REPORT OF THE DIRECTORS

In 1959, higher revenues and further improvement in the control of expenses brought a much needed increase in the Company's earnings. The dividend of 50 cents per share paid for each of the first three quarters was increased to 55 cents for the final quarter. We were able to strengthen our financial position with retained earnings which brought the total surplus at the end of the year to \$2.22 per share, 15 cents more than in 1958.

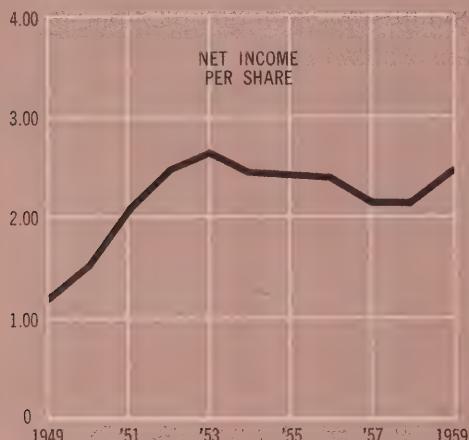
Operating revenues were 14.5 per cent higher than in 1958. There were several reasons for this improvement. Business in general was favoured by a better economic climate, and intensified sales promotion helped us to turn this to good account. Also, the new rates for service approved by the Board of Transport Commissioners for Canada towards the end of 1958 were in effect throughout the year. They accounted for one third of the increase in revenues. Local service revenue was 15 per cent higher, and long distance revenue 14 per cent higher; other operating revenues rose by 14.5 per cent.

Operating expenses were held to a rise of seven per cent despite a 16 per cent increase in depreciation expense, and the higher wage rates which went into effect at the beginning of September. This improvement in efficiency was

	EARNINGS	
	1959	1958
Net Income	\$50,283,578	\$38,899,289
Dividends	41,574,575	36,180,429
Retained Earnings	\$ 8,709,003	\$ 2,718,860

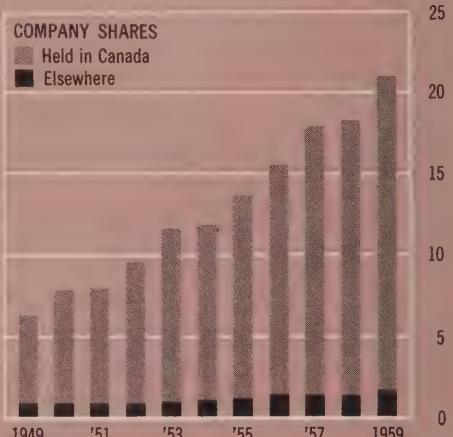
Earnings increased
to \$2.48 per share

DOLLARS



Canadians owned 92 per cent
of the Company stock

MILLIONS



an achievement of the employees at all levels in the Company. They made effective use of improved tools and equipment, and capably applied a variety of new operating methods.

MORE CUSTOMERS, AND MORE INDIVIDUAL LINES

We added 190,528 telephones to those in service, some 5,000 more than in 1958. This was the end-result of a tremendous daily movement of telephones in and out of service. In fact, 670,022 were disconnected during the year, and 860,550 were connected. Each of these changes had to be processed through business office, directory and other records, and in most cases it was necessary for an installer to visit the customers' premises.

TELEPHONES	
Total, end of 1958	3,140,349
Added, 1959	190,528
Total, end of 1959	3,330,877

UNFILLED ORDERS		
	End 1959	End 1958
Main Service	3,169	5,699
Higher Grades	4,642	12,257

program of long distance promotion both on our own account and as a member of the Trans-Canada Telephone System. Extensive capital invest-

The proportion of urban residence customers who have individual lines continued to increase, and now stands at 56 per cent; five years ago it was only 31 per cent. On rural party lines there was a further reduction in the average number of customers per line.

Some nine per cent more long distance calls were carried than in 1958, reflecting the effect of a vigorous



This hydraulic pole-hole digger helps increase the speed and efficiency of our construction work. Here, it is shown in action on the outskirts of Owen Sound.

ment enabled us to improve further the quality of long distance service which our customers receive.

\$124,100,000 NEW CAPITAL

As recorded a year ago, the Company issued \$30,000,000 of 5½ per cent bonds in January 1959. Both interest and principal are payable in Canadian funds.

In March, new stock was offered to shareholders at \$33.00 per share in the ratio of one new share for every seven owned. The issue, which was 99.5 per cent subscribed, produced \$85,568,538.

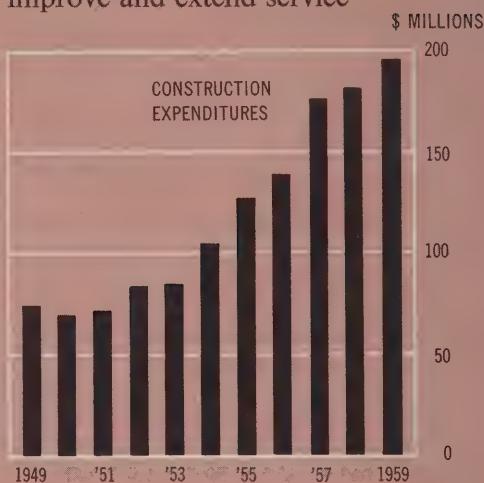
Purchase of shares through the Employees' Stock Plan provided \$9,300,000. Some 22,000 employees are at present subscribing for stock.

Arrangements were completed in November to sell \$35,000,000 of 6¼ per cent bonds dated January 2, 1960, maturing on January 2, 1978. Interest and principal are payable in Canadian funds. As delivery and payment did not take place until January 1960, this issue is not included in the long term

Rate of return improved —
reached 5.9 per cent



\$196,000,000 spent to
improve and extend service



SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1959

SOURCE OF FUNDS

Retained earnings for the year	\$ 8,709,003
Provision for depreciation, and net proceeds from disposals of plant	71,752,224
Miscellaneous items (net)	1,195,708
Proceeds from stock issue	85,568,538
Net proceeds from Employees' Stock Plan	9,324,144
Proceeds from bond issue	29,204,462
	<hr/>
	\$205,754,079

APPLICATION OF FUNDS

Construction expenditures	\$196,103,706
Increase in working capital	9,650,373
	<hr/>
	\$205,754,079

debt at the end of 1959. The 6½ per cent coupon is the highest interest rate on Company bonds in nearly 40 years.

In the last ten years the number of shareholders has increased from 59,600 to 170,800. Some 97.5 per cent of our shareholders reside in Canada, and they hold 92 per cent of the stock. Shares held by the American Telephone and Telegraph Company now represent 3.6 per cent of the total stock.

RECORD CONSTRUCTION BUDGET

Capital expenditure on equipment, buildings and other installations enabling us to improve our services and to serve more customers amounted to \$196,000,000.

In most places we are now able to give service when our customers want it, and so can devote increasing attention to longer-range plans for service improvement. Forty manual offices were converted to dial operation in 1959.

In all, we erected new buildings or built extensions to provide space for additional equipment in 97 communities. Among our new exchanges was one in the far north of Canada — at Frobisher Bay on Baffin Island.

A seven-storey addition to the Belmont Street building in Montreal was completed towards the end of the year. It has provided space for administrative personnel who had been dispersed through the city mainly in rented quarters. A new accounting office was opened in London to handle the billing for customers in the London, Windsor and Kitchener districts.

SERVICE OF WIDER SCOPE

In 1959, we introduced Extended Area Service or expanded its range in 78 communities, and eight out of ten customers can now place calls to neighbouring exchanges with the cost included in the monthly charge for local telephone service. The largest single undertaking was the addition of 11 suburban exchanges to the Greater Montreal direct calling area.

LONG DISTANCE DEVELOPMENTS

The new radio relay system connecting Montreal and North Bay went into service, and the system between Toronto, London and Windsor was brought close to completion. This expansion of our network included by-pass routes round the larger cities designed to reinforce the reliability of the service and also offer important defence advantages.

As part of our microwave expansion program, the capacity of the existing system was increased between the cities of Sudbury and Sault Ste. Marie. Another channel for television purposes was added between Toronto and



More and more in both the countryside and suburban developments we are using ploughs like this to bury underground the latest types of cable and specially designed wire.

Buffalo. We built a 120-mile radio spur from our system in northern Quebec to serve the new mining settlement at Gagnonville, and brought network television to Rouyn and Kenora.

A new long distance cable was built from Quebec City to the Chicoutimi and Lake St. John regions, passing through the Laurentide Park. It has also allowed us to provide public telephones along the scenic highway which crosses the park.

In Montreal, our new Oxenden Avenue building was completed; its switching and automatic accounting installations will enable us to introduce Direct Distance Dialing for Montreal customers early in 1960. DDD is scheduled for Cornwall and Valleyfield at about the same time, and for London and St. Thomas later in the year. The number of distant places that customers with DDD service can dial direct has increased steadily, and the coming year will bring many new areas of the continent within their reach.

NEW WAYS TO CONTROL COSTS

The year's results demonstrate the growing success of our measures to control the cost of providing service while maintaining quality and convenience at a high level.

In central office engineering, greater use has been made of standardized equipment assemblies and of "plug-in" units that can be easily added to existing installations. Similarly, standard plans have been developed for our smaller exchange buildings, with a choice of exteriors to harmonize with the location.

Extensive use was made of labour-saving materials such as plastic-insulated, easily connected cable. A new type of installer's truck, costing 30 per cent less than previous models, was introduced in a number of communities.

Safe working conditions are important for their own sake; they are also a valuable aid in keeping down operating costs. Continued emphasis was placed on safety training. We introduced a new device that tests for hazardous situations on pole lines used jointly with power companies, and other equipment that registers the presence in manholes of potentially explosive gases.

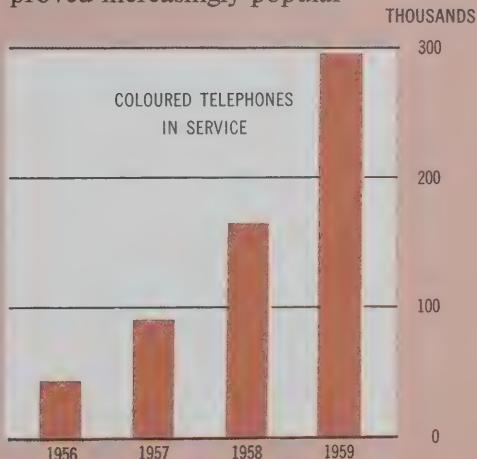
As in 1958, the Company was able to serve a larger number of customers and handle a growing volume of long distance calls with a still smaller working force. In general, the level of employee experience rose and training costs were lower.

Streamlined business procedures contributed to the advance in productivity. They are designed both to offset rising costs and to prepare for the increased mechanization of the coming years.

PROGRESS IN MARKETING

Our telephones are available in more colours than ever before. During the year we placed 130,000 additional coloured sets — that is, sets in colours other than black — in our customers' homes and business premises. The increase in demand for these attractive telephones made possible important economies in production, warehousing and distribution, and allowed us to reduce the "one time" charge for colour from \$12.00 to \$9.00 per telephone. The new Call Director, which provides a flexible combination of

Telephones in colour proved increasingly popular



dial telephone and push-button intercommunication system, was very well received by our business customers.

To increase the sale of our services in a highly competitive economy, we have paid particular attention to marketing methods, ranging from market research through product planning to promotion and selling. A priority task of our marketing organization is to prepare comprehensive plans for the variety of new services we will be offering to our customers.

SPECIAL SERVICES IN DEMAND

Special communications services were provided in growing volume to business customers as well as to government for administrative and defence purposes. The demand for private long distance lines increased substantially. We installed distribution systems for TV community antenna projects and for the "pay as you see" television service which is being introduced in Etobicoke, a suburb of Toronto. In Ottawa, we provided a transmission network for Canada's first coordinated system for the control of traffic lights. This system is designed to facilitate the handling of rush-hour conditions and the rerouting of traffic in an emergency.

Regular inspection helps to maintain the quality and reliability of telephone service. A Plant Department inspector in Toronto checks the workmanship on a sleeve which has just been placed on an underground cable.





We like to have our customers visit us at work and get an inside view of the telephone company. The Traffic Department in Kingston held this Open House for local business people and switchboard operators, and their families.

Inward dialing from outside telephones direct to extensions served by the Company switchboard in Montreal was introduced last spring. The experience gained here will be very helpful to us in furnishing this convenient, cost-saving service to other large organizations.

The Company participated with its fellow members of the Trans-Canada Telephone System in furnishing communications for the Royal Visit last summer. Telephone service was provided for the royal train, and dockside connections were set up for the "Britannia". Temporary microwave installations helped to bring a television record of the visit to viewers across Canada, and special circuits were maintained for newsmen and commentators.

SEEKING OUR CUSTOMERS' VIEWS

As a large service organization, this Company creates its public reputation in many different ways. That the service we give should please telephone users is, however, of paramount importance. This is in part a technical matter, but it depends heavily too on the courtesy and helpfulness of all employees — operators, service representatives, craftsmen and their supervisors — whose jobs bring them into personal contact with our customers.



You will find telephone people taking part in many different community activities. The six Bell men shown in this picture worked with the East Scarborough boy scouts to uncover a thousand-year-old Indian village for the Royal Ontario Museum.

We try to remain continually sensitive to customer reaction to our service in all its aspects. Internal measurements provide a month-by-month review of the technical quality and efficiency of the service, and each year we make a territory-wide survey of what our customers think about the Company. In 1959, we carried out a number of special canvasses designed to give us greater knowledge of local opinion. For example, since June 1958 we have mailed postcards to the customers in 40 separate exchanges, asking for any critical comments they might have. The replies we received have been a great help to us in identifying and remedying causes of dissatisfaction.

RECRUITING AND DEVELOPING TELEPHONE PEOPLE

We have reason to be gratified at the calibre of the men and women who joined the Company during 1959. Our business has a growing need of both technical ability and the qualities of leadership.

Close attention has been paid to the development of management people through the assessment of employees' potentialities as well as carefully designed training and on-the-job experience. In September, a permanent training school for engineers was opened in Belleville. New engineers will receive here a seven-week orientation course spread over their first year with the Company. Other engineers will attend courses on technical aspects of their work.

In 1959, over 1,100 employees benefited from the arrangements by which the Company shares with them the cost of approved out-of-hours courses for their further education.

PENSION PLAN REVISED

In view of changes in economic conditions in recent years, the pension plan was revised. Pensions are now computed on the basis of the five consecutive highest paid years of service instead of the ten highest, and the minimum pension has been increased from \$40.00 to \$50.00 a month. An expanded

BENEFITS AND PENSIONS

UNDER THE PLAN FOR EMPLOYEES' PENSIONS, DISABILITY BENEFITS AND DEATH BENEFITS

Year 1959

Sickness Benefits	\$1,263,931
Accident Benefits	62,328
Death Benefits	430,329
Disability Pensions	63,409

The Company has established a fund with The Royal Trust Company, Montreal, as Trustee; this fund is irrevocably devoted to service pension purposes. Under an accrual program based on actuarial studies, regular payments are made to the fund by the Company and amounted to \$10,713,930 in the year 1959. The amount in the fund fully provides for future service pension payments to those now on the pension rolls and those now entitled to retire on pension at their own request. The fund is not a part of the assets of the Company and is therefore not reflected in the balance sheet.



At the end of December the worst sleet storm in 20 years swept across Southern Ontario. Repair crews got on the job immediately, clearing lines, putting up new poles, wire and cable. Additional forces were sent in from other parts of Ontario and from Quebec.

medical insurance program, providing for major medical expenses, was introduced; it received high acceptance from the employees, who meet its full cost through payroll deductions. The group life insurance program entered its third year of successful operation with more than 32,000 employees subscribing.

THE SPIRIT OF SERVICE

The telephone employee's tradition of devoted service in time of emergency was affirmed during and after four disastrous fires. Our operators stayed on duty till the last possible moment when fire destroyed the exchange at Lanark; service was almost entirely restored 48 hours later through a temporary switchboard set up in a private home. A similar emergency at Lac Megantic was met with comparable courage and energy. When the hotel next to our Perth exchange was burnt out, the operators remained at their posts throughout the blaze. When fire gutted the building which housed the Commercial, Plant and Engineering offices in Oakville, these were all functioning fully in temporary quarters within 24 hours.

Letters of commendation from the President in recognition of acts of public service were sent to 35 men and women in the Company.

CHANGES IN DIRECTORS AND OFFICERS

In March, H. I. Romnes resigned from the Board of Directors on his appointment as President of the Western Electric Company. Charles Edouard Gravel died in October, and the Company lost a greatly valued member of the Board and the Executive Committee, on which he had served for the past 22 years.

Two new directors were appointed towards the end of the year: Marcel Faribault, President of the Trust Général du Canada, who was also named a member of the Executive Committee, and James E. Dingman, Vice-President and Chief Engineer of the American Telephone and Telegraph Company.

Douglas W. Ferrier, Vice-President — Personnel, retired in May after 40 years of devoted and distinguished service.

For the Board of Directors,



February 4, 1960.

Chairman.

COMPARATIVE

ASSETS

	Dec. 31, 1959	Dec. 31, 1958
Telephone Property (at cost)		
Land and Buildings	\$ 148,065,986	\$ 130,505,232
Telephone Plant and Equipment	1,386,396,768	1,247,768,885
Switching equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture and other equipment.		
TOTAL TELEPHONE PROPERTY	\$1,534,462,754	\$1,378,274,117
Investments (at cost)		
Subsidiary Companies	\$ 26,400,038	\$ 26,645,554
Other Investments	12,976,807	12,767,339
The aggregate market value of investments in subsidiary companies and of other investments (or net worth where market values are not available) exceeds the cost.		
TOTAL INVESTMENTS	\$ 39,376,845	\$ 39,412,893
Current Assets		
Cash	\$ 4,840,594	\$ 6,566,000
Temporary Cash Investments (Market Value \$25,423,850)	25,398,290	—
Accounts Receivable	39,919,878	41,042,787
Amounts due for service (less reserve for uncollectible accounts), interest, dividends, rents, etc., and working advances to employees.		
Material and Supplies	13,697,634	11,688,914
Principally for construction and maintenance purposes, held at cost.		
TOTAL CURRENT ASSETS	\$ 83,856,396	\$ 59,297,701
Deferred Charges		
Prepayments and Other Deferred Charges	\$ 12,161,510	\$ 12,731,331
Principally rents, taxes, insurance, cost of directories and other items applicable to period subsequent to December 31.		
Unamortized Discount and Redemption Premium on Long Term Debt	4,073,954	3,617,658
TOTAL DEFERRED CHARGES	\$ 16,235,464	\$ 16,348,989
TOTAL ASSETS	\$1,673,931,459	\$1,493,333,700

Signed on behalf of the Board of Directors:

F. JOHNSON, *Director.*R. E. POWELL, *Director.*

BALANCE SHEET

LIABILITIES

Capital Stock and Surplus

Common Stock — par value \$25 per share	
Authorized: by charter — 40,000,000 shares,	
by shareholders — 30,000,000 shares.	
Outstanding: 21,024,690 fully paid shares at December 31, 1959.	
Premium on Capital Stock	162,123,114
Amount received in excess of par value.	
Surplus	46,659,868
Retained Earnings for year 1959	\$ 8,709,003
Miscellaneous additions (net) 1959.	398,842

TOTAL CAPITAL STOCK AND SURPLUS

Dec. 31, 1959	Dec. 31, 1958
\$ 525,617,250	\$ 454,598,900
162,123,114	139,211,431
46,659,868	37,552,023
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\$ 734,400,232	\$ 631,362,354

Long Term Debt (see page 25)

Bonds — First Mortgage	
Debentures	

TOTAL LONG TERM DEBT

\$ 423,000,000	\$ 393,000,000
30,000,000	30,000,000
<hr/>	<hr/>
\$ 453,000,000	\$ 423,000,000

Current and Accrued Liabilities

Accounts and Notes Payable	
Subsidiary Companies	\$ 19,371,093
Amounts owing for supplies, payrolls and other items.	
Advance Billing and Payments for Service	9,973,240
Dividend Payable	11,563,580
Taxes Accrued	29,496,875
Interest Accrued	4,448,870
Other Accrued Liabilities	673,780

TOTAL CURRENT AND ACCRUED LIABILITIES

\$ 29,493,657	\$ 25,703,351
9,973,240	9,090,022
11,563,580	9,091,978
29,496,875	22,552,712
4,448,870	3,663,364
673,780	640,253
<hr/>	<hr/>
\$ 85,650,002	\$ 70,741,680

Accumulated Provision for Depreciation of Telephone Property

\$ 337,556,461	\$ 305,707,145
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Deferred Credits

Income Tax	
Reduction in income taxes for the years 1954 to 1957 inclusive, for appropriation in future years, due to depreciation deducted for tax purposes being in excess of that included in operating expenses.	
Employees' Stock Plan	14,041,359
Instalments paid by employees subscribing for capital stock, with interest thereon.	
Unextinguished Premium on Long Term Debt	781,116
Other Deferred Credits	278,171

TOTAL DEFERRED CREDITS

\$ 63,324,764	\$ 62,522,521
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TOTAL LIABILITIES

\$ 1,673,931,459	\$ 1,493,333,700
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W. MCNEILL, Comptroller.

COMPARATIVE INCOME STATEMENT

	Year 1959	Year 1958
Operating Revenues		
Local Service Revenues	\$233,634,349	\$203,416,546
Long Distance Service Revenues	120,991,929	106,203,225
Miscellaneous Revenues	23,338,663	20,325,500
Principally from directory advertising.		
Less: Uncollectible Operating Revenues	1,360,296	1,127,700
Total Operating Revenues	\$376,604,645	\$328,817,571
Operating Expenses		
Current Maintenance	\$ 76,210,823	\$ 71,322,299
Cost of inspection, repairs and rearrangements required to keep the telephone property in good operating condition.		
Depreciation	64,873,766	55,753,618
Provision to meet the loss of investment when depreciable property is retired from service, based on rates designed to spread this loss uniformly over the life of the property.		
Traffic Expenses	38,867,757	39,809,883
Principally operators' wages.		
Commercial Expenses	32,250,389	30,807,643
Costs incurred in business relations with customers; public telephone commissions; cost of directories; sales expense, etc.		
Other Operating Expenses	44,029,513	41,609,817
General office salaries and expenses, benefit payments, provision for service pensions, operating rents and other general expenses.		
Year 1959: salaries paid to Executive Officers \$598,883; salaries and fees paid to Counsel, Solicitors and other legal advisers of the Company \$174,435; fees paid to Directors and members of the Executive Committee \$86,877, of which \$10,300 was paid and accounted for by subsidiary companies.		
Total Operating Expenses	\$256,232,248	\$239,303,260
	NET OPERATING REVENUES	\$120,372,397
Operating Taxes		
Income Taxes	\$ 44,556,000	\$ 29,118,000
Other Taxes	14,526,000	12,902,000
Total Operating Taxes	\$ 59,082,000	\$ 42,020,000
	NET OPERATING INCOME	\$ 61,290,397
Other Income		
Interest and Dividends from Investments	\$ 4,322,718	\$ 3,736,876
Miscellaneous Income (Net)	3,351,398	3,072,661
Principally interest, on plant under construction and on temporary cash investments.		
Total Other Income	\$ 7,674,116	\$ 6,809,537
	INCOME AVAILABLE FOR FIXED CHARGES	\$ 68,964,513
Fixed Charges		
Interest on Long Term Debt	\$ 17,640,693	\$ 14,527,160
Interest and related foreign exchange.		
Other Interest	774,828	669,225
Amortization of Discount and Premium on Long Term Debt	265,414	208,174
Proportion of discount, premium and expense applicable to the year relating to bonds outstanding and redeemed.		
Total Fixed Charges	\$ 18,680,935	\$ 15,404,559
	NET INCOME AVAILABLE FOR DIVIDENDS	\$ 50,283,578
Dividends	41,574,575	36,180,429
RETAINED EARNINGS TRANSFERRED TO SURPLUS	\$ 8,709,003	\$ 2,718,860

W. McNEILL, Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA

LONG TERM DEBT

		Dec. 31, 1959
Bonds—First Mortgage		
SERIES D — Maturing Aug.	1, 1964 — 3 1/4%	\$ 25,000,000
SERIES E — Maturing Mar.	1, 1977 — 3 %	35,000,000
SERIES F — Maturing Feb.	15, 1973 — 3 1/4%	35,000,000
SERIES G — Maturing June	1, 1975 — 3 3/8%	40,000,000
SERIES H — Maturing May	1, 1960 — 2 1/2%	(Payable in U.S. Funds) 8,000,000
SERIES I — Maturing May	1, 1976 — 3 1/2%	40,000,000
SERIES J — Maturing Dec.	15, 1967 — 4 1/2%	40,000,000
SERIES K — Maturing May	15, 1979 — 3 3/4%	40,000,000
SERIES L — Maturing Dec.	1, 1970 — 4 %	16,000,000
SERIES M — Maturing June	1, 1981 — 4 %	24,000,000
SERIES N — Maturing Jan.	2, 1972 — 4 3/4%	(Payable in U.S. Funds) 20,000,000
SERIES O — Maturing Mar.	15, 1972 — 5 %	20,000,000
SERIES P — Maturing Mar.	15, 1983 — 4 1/4%	(Payable in U.S. Funds) 50,000,000
SERIES Q — Maturing July	2, 1980 — 5 1/4%	30,000,000
Total Bonds		<u>\$423,000,000</u>
Debentures		
SERIES A — Maturing Oct.	1, 1960 — 4 1/2%	\$ 10,000,000
SERIES B — Maturing Oct.	1, 1961 — 4 1/2%	10,000,000
SERIES C — Maturing Oct.	1, 1962 — 4 1/2%	10,000,000
Total Debentures		<u>\$ 30,000,000</u>
TOTAL LONG TERM DEBT		<u>\$453,000,000</u>

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
THE BELL TELEPHONE COMPANY OF CANADA,
MONTREAL, QUE.

We have examined the balance sheet of The Bell Telephone Company of Canada as at December 31, 1959 and the income statement for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that the operations of the subsidiary companies for the year ended December 31, 1959 resulted in an aggregate net profit of which only the dividends received or receivable by the company have been included in the accompanying income statement.

In our opinion the accompanying balance sheet and income statement are properly drawn up, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, so as to exhibit a true and correct view of the financial position of The Bell Telephone Company of Canada as at December 31, 1959 and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

Ross, TOUCHE & Co.
Chartered Accountants.

Montreal, Que.
February 3, 1960.

STATISTICS 1952 - 1959

AT DECEMBER 31	1952	1953	1954
Number of Telephones	1,976,123	2,127,456	2,294,458
Business	628,129	671,035	718,597
Residence	1,347,994	1,456,421	1,575,861
Per cent Residence	68.2	68.5	68.7
Per cent Dial	79.5	81.0	82.6
Telephones Added During the Year*	136,373	151,333	167,002
Connected	452,717	492,646	572,616
Disconnected	316,344	341,313	405,614
Other Telephone Systems (In Ontario and Quebec)	820	770	741
Connecting and Miscellaneous Telephones	293,992	311,122	312,213
Average Calls Placed Daily*	12,415,000	13,136,000	13,940,000
Long Distance	248,000	256,000	267,000
Miles of Long Distance Circuits	636,000	727,000	806,000
Construction Expenditures*	\$ 85,300,000	\$85,700,000	\$105,300,000
Total Plant and Equipment	\$653,582,972	\$726,351,464	\$821,437,516
Per Telephone	\$331	\$341	\$358
Number of Employees	29,941	31,502	32,706
Men	10,988	11,585	12,160
Women	18,953	19,917	20,546
Total Payroll*	\$ 85,345,453	\$ 93,936,298	\$103,382,705
Number of Shareholders	100,890	115,789	114,782
In Canada	98,765	113,464	112,246
Total Shares Outstanding	9,599,817	11,617,032	11,759,949
Per cent held in Canada	89.5	90.6	90.0
Total Operating Revenues*	\$184,398,074	\$201,962,734	\$219,374,348
Total Operating Expenses*	\$126,559,114	\$139,163,413	\$153,721,763
Net Income*	\$ 22,570,350	\$ 26,848,740	\$ 28,549,135
Per Average Share Outstanding	\$2.47	\$2.65	\$2.44

*For the year ended December 31.

THE TELEPHONE STORY IN FIGURES

1955	1956	1957	1958	1959
2,522,745	2,766,153	2,954,884	3,140,349	3,330,877
782,620	848,724	893,211	940,589	991,860
1,740,125	1,917,429	2,061,673	2,199,760	2,339,017
69.0	69.3	69.8	70.0	70.2
83.9	86.1	88.7	90.0	91.8
228,287	243,408	188,731	185,465	190,528
685,516	759,089	731,970	785,279	860,550
457,229	515,681	543,239	599,814	670,022
706	674	636	611	582
288,392	289,539	295,796	310,631	322,153
15,747,000	16,989,000	18,646,000	19,829,000	20,951,000
298,000	317,000	336,000	361,000	378,000
908,000	1,058,000	1,187,000	1,451,000	1,656,000
\$128,400,000	\$ 139,500,000	\$ 177,300,000	\$ 183,200,000	\$ 196,100,000
\$945,119,244	\$1,066,296,579	\$1,223,615,264	\$1,378,274,117	\$1,534,462,754
\$375	\$385	\$414	\$439	\$461
36,340	39,688	41,363	39,321	37,158
13,892	15,632	17,018	16,784	16,035
22,448	24,056	24,345	22,537	21,123
\$116,037,106	\$ 130,677,707	\$ 146,952,560	\$ 154,611,767	\$ 155,156,297
125,223	140,726	156,825	157,724	170,767
122,452	137,753	153,498	154,308	166,443
13,643,401	15,506,932	17,983,980	18,183,956	21,024,690
90.6	91.1	91.8	91.8	92.0
\$244,899,537	\$ 273,975,152	\$ 302,985,820	\$ 328,817,571	\$ 376,604,645
\$173,197,648	\$ 196,252,745	\$ 220,445,304	\$ 239,303,260	\$ 256,232,248
\$ 31,978,042	\$ 34,949,181	\$ 36,037,169	\$ 38,899,289	\$ 50,283,578
\$ 2.43	\$ 2.40	\$ 2.15	\$ 2.15	\$ 2.48

The shaded area above represents the continued, vigorous growth of the Company's business as measured by the increase in telephones served — from 1,839,750 at the beginning of 1952 to 3,330,877 at the end of 1959.

COMMUNICATIONS IS OUR BUSINESS



*At fairs and exhibitions throughout Ontario and Quebec,
Bell people display and demonstrate the latest
in telephone services and equipment.*



COMMUNICATIONS IS OUR BUSINESS

Modern, well-designed equipment brings our customers the up-to-date, flexible communications that can help their businesses grow and prosper. Experienced Bell representatives advise them on the service arrangements which will best meet their requirements, whatever the nature or scope. The pictures on this page show some of our latest business telephones.



*The new
Call Director*

